

## Message Text

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ACTION EB-07

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FM AMEMBASSY PRAGUE

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E.O. 11652: N/A

TAGS: PFOR, ETRD, EFIN, CZ, US

SUBJECT: CZECHOSLOVAKIA REACTION TO TRADE

BILL

1. BEGIN SUMMARY. THREE ARTICLES IN JANUARY 16 RUDE PRAVO DEAL WITH TRADE BILL IN GENERAL AND LONG-GRAVEL IN PARTICULAR. BASIC THEME ON FORMER FOLLOWS SOVIET LINE RE: UNACCEPTABLE INTERFERENCE IN INTERNAL AFFAIRS; LATTER SEEN AS PART OF OVERALL PATTERN RATHER THAN ISOLATED ANTI-CZECHOSLOVAK PHENOMENON. CONCLUSION, HOWEVER, IS THAT SETBACK ONLY TEMPORARY AND THAT OVERALL POSITIVE TRENDS IN EAST-WEST RELATIONS WILL CONTINUE. EMBASSY FINDS TWO ASPECTS OF ARTICLES POSSIBLY POSITIVE FOR FUTURE OF US-CSSR RELATIONS. END SUMMARY.

2. TRADE REFORM ACT RECEIVED PROMINENT COVERAGE IN JANUARY 16 RUDE PRAVO. LENGTHLY ARTICLE BY VACLAV DOLEZAL BEGINS BY NOTING IMPORTANCE TO CZECHOSLOVAKIA AND OTHER SOCIALIST COUNTRIES OF MUTUALLY BENEFICIAL TRADE RELATIONS WITH WEST, AND EFFORTS TO CREATE NORMAL CONDITIONS FOR TRADE WITH U.S. IN VIEW OF EXTENSIVE DISCRIMINATORY MEASURES HAMPERING U.S. TRADE POLICY, CZECHOSLOVAKIA ESPECIALLY WELCOMED SUBMISSION

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BY THEN-PRESIDENT NIXON OF TRADE REFORM BILL AND ITS SUPPORT

BY PRESIDENT FORD. NOTING THAT CONGRESS LABORED OVER BILL FOR TWO YEARS, DOLEZAL CONCLUDES THAT "MOUNTAIN HAS GIVEN BIRTH TO MOUSE".

3. ARTICLE GOES ON TO CHARACTERIZE WHAT ARE TERMED "UN-ACCEPTABLE CONDITIONS OF A POLITICAL CHARACTER" AS GROSS INTERFERENCE IN THE INTERNAL AFFAIRS OF SOCIALIST STATES AND REFERS TO EIGHTEEN MONTH WAIVER PERIOD AS DAMOCLEAN SWORD. FAR FROM PROVIDING BASIS FOR DEVELOPMENT OF NORMAL RELATIONS, ACT "RAISES NEW OBSTACLES TO SUCH RELATIONS." IT IS QUITE UNDERSTANDABLE, THEREFORE, THAT SOVIETS HAVE REFUSED TO TRADE WITH U.S. ON BASIS OF THIS ACT.

4. ARTICLE STATES THAT INDIGNATION NOT CONFINED TO SOCIALIST COUNTRIES, BUT WIDESPREAD IN DEVELOPING COUNTRIES AS WELL, WITH SHARP REACTIONS FROM SOME ARAB AND LATIN AMERICAN STATES.

5. REFERRING TO LONG-GRAVEL AMENDMENT, DOLEZAL WRITES THAT GENERAL ORIENTATION OF TRADE ACT AGAINST FURTHER DEVELOPMENT OF TRADE CONTACTS WITH SOCIALIST COUNTRIES SHOWS THAT DISCRIMINATORY AMENDMENT DIRECTED AGAINST CZECHOSLOVAKIA "WAS NOT AN ISOLATED OR ACCIDENTAL ACTION".

6. IN CONCLUSION, ARTICLE STATES THAT, WHILE LATEST DEVELOPMENTS INDICATE THAT REACTIONARY FORCES ARE SUFFICIENTLY STRONG TO SLOW DOWN CURRENT PROCESS OF REDUCTION OF TENSIONS, THEY ARE UNABLE TO HALT IT, LET ALONE REVERSE IT. "WE ARE SURE THAT DESPITE THE OBSTACLES PUT IN THE WAY OF DEVELOPMENT OF COOPERATION BY SOME AMERICAN CIRCLES, THE EXISTING OVERALL POSITIVE TREND IN RELATIONS BETWEEN THE U.S. AND SOCIALIST COUNTRIES WILL CONTINUE, SINCE IT CORRESPONDS TO THE INNERMOST INTERESTS OF ALL PEOPLES IN THE WORLD, INCLUDING THE PEOPLE OF THE UNITED STATES."

7. SECOND ITEM NOTES THAT AT JOINT SESSION OF FOREIGN COMMITTEES OF HOUSE OF NATIONS AND HOUSE OF PEOPLE ON JANUARY 15, DEPUTIES WERE INFORMED OF CURRENT STATE OF PROPERTY SETTLEMENT TALKS BETWEEN U.S. AND CSSR, AND THAT COMMITTEES VOICED REGRET AT U.S. CONGRESSIONAL PASSAGE OF LIMITED OFFICIAL USE

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TRADE BILL CONTAINING "POLITICAL TERMS UNACCEPTABLE TO SOCIALIST COUNTRIES". RUDE PRAVO ALSO CARRIES FACTUAL CTK REPORT OUT OF WASHINGTON ON SECRETARY'S JANUARY 14 PRESS CONFERENCE ON SOVIET REJECTION OF TERMS OF TRADE REFORM ACT.

8. COMMENT: EMBASSY FINDS TWO ASPECTS OF DOLEZAL ARTICLE OF PARTICULAR INTEREST, AND PERHAPS OF POSITIVE IMPLICATION, IN CONNECTION WITH US-CZECHOSLOVAK RELATIONS. FIRST, GENERAL

THESES THAT TRADE REFORM ACT, WITH DISCRIMINATORY AND  
"UNACCEPTABLE" PROVISIONS ONLY CONSTITUTES TEMPORARY SET-  
BACK AT LEAST INDICATES THAT DOOR HAS NOT YET BEEN SLAMMED  
ON CONCEPT OF PROGRESS IN THOSE RELATIONS. SECONDLY, WE  
ARE STRUCK BY VIEW OF LONG-GRAVEL AS SYMPTOMATIC OF OVERALL  
ANTI-COMMUNIST BIAS IN ACT RATHER THAN AS DISTINCTLY ANTI-  
CZECHOSLOVAK ACT. (SURFACING OF THIS IDEA, OF COURSE, HAD  
TO AWAIT DEFINITIVE SOVIET REJECTION OF TERMS OF ACT.) THIS  
CONCEPT COULD CONCEIVABLY BE USED TO MAKE MORE PALATABLE,  
OR AT LEAST MORE EXPLICABLE, ANY FUTURE "RENEGOTIATION" OF  
CLAIMS AGREEMENT. AS FOREIGN MINISTER AND VARIOUS OTHER  
OFFICIALS HAVE MADE CLEAR, GOC IS WAITING FOR OUR  
PROPOSALS. IN THE MEANTIME, THEY SEEM TO BE CAREFULLY  
KEEPING THE DOOR AJAR.  
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